

HOUSE COMMITTEE ON
TRADE AND ECONOMIC DEVELOPMENT

March 9, 2005 Hearing Room 343

8:30 A.M. Tapes 39 - 40

MEMBERS PRESENT: Rep. John Lim, Chair

Rep. Scott Bruun, Vice-Chair

Rep. Jeff Merkley, Vice-Chair

Rep. Peter Buckley

Rep. John Dallum

Rep. Donna Nelson

Rep. Chuck Riley

STAFF PRESENT: Jim Stembridge, Committee Administrator

Erin Seiler, Committee Assistant

MEASURES/ISSUES HEARD:

HB 2234 – Work Session

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
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TAPE 39, A

001	Chair Lim	Opens the meeting at 8:33 a.m.
004	Jim Stembridge	Committee Administrator. Submits Oregon Economic and Community Development Departments Business Finance Programs information packet that includes Oregon Port Revolving Loan Fund Overview, Distressed Communities Index, and list of OECDD Business Finance Programs projects (EXHIBIT A). Submits Community College and Workforce Development WorkSource Oregon information packet that includes datasheet on the Job Hire Program 2003, report on Occupational Employment Projections 2002-2012, and WorkSource Oregon 2005-06 Marketing Communications Plan (EXHIBIT B).
016	Chair Lim	Opens a work session on HB 2234.

HB 2234 – WORK SESSION

018	Jim Stembridge	Committee Administrator. Submits -1 amendments (EXHIBIT C). Submits -2 amendments (EXHIBIT D). Submits -3 amendments (EXHIBIT E).
020	Chair Lim	Recognizes motion made during the work session on March 2, 2005 to adopt -1 amendments to HB 2234.
022	Rep. Nelson	Comments on the importance of HB 2234 and how electronic enterprise zones will create jobs and expand the economy.
060	Rep. Nelson	MOTION: Moves to ADOPT HB 2234-1 amendments dated 03/08/05.
061	Rep. Bruun	Asks whether or not an unlimited number of electronic commerce zone designations will fall within the limit of 49 enterprise zones allotted by the state or could the number of electronic commerce zones surpass the number of enterprise zones.
073	Ron Fox	Business Development Divisions Manager, Oregon Economic and Community Development Department (OECDD). States that the current statute provides for forty-nine enterprise zones with a subset of four electronic commerce zones.
082	Arthur Fish	Business Incentives Coordinator. OECDD. Explains the statutory change if -1 amendments were adopted and that the number of

electronic commerce zones would be equal to the number of enterprise zones.

093	Rep. Bruun	Verifies that the number of electronic commerce zones would increase only if the number of enterprise zones were to increase.
103	Rep. Riley	Expresses concern about whether OECDD has the appropriate amount of staff to accommodate the increase in workload that would result from removing limit on the number of electronic commerce zones designations available.
111	Rep. Riley	States support for increasing the number of electronic commerce zones to 20.
115	Rep. Merkley	Asks if OECDD has a sense of what the difference in cost to the General Fund of 20 electronic commerce zones versus an unrestricted number of designations.
120	Fish	Speaks to the potential loss in General Fund revenue because of the income tax credit associated with electronic commerce zones and that the question is whether the loss of General Fund revenue is justified by the “hope of meaningfully contributing to the economy.”
137	Fox	Addresses the ability of OECDD staff to administrator the existing 49 enterprise zones and that the most significant administrative effect on OECDD should the electronic commerce zone program be significantly expanded, is the pace with which applications would be processed, reviewed, and granted.
153	Rep. Buckley	Asks whether OECDD would have to hire more personnel to handle additional electronic commerce zones.
161	Fox	Responds that current staff would be able to administer additional electronic commerce zones.
176	Rep. Buckley	Asks whether the original authors of the program have offered any additional information or input about expanding the program.
185	Jim Stembridge	States that no additional information has been received from the original authors of the program, but does review the major issues raised in the revenue impact statement.

208	Mike Salsgiver	Legislative Affairs Manager, OECDD. Points out that the concerns raised by Senator Deckert during the public hearing on March 2, 2005 have been addressed.
218	Chair Lim	Recesses the meeting at 8:48 a.m.
296	Chair Lim	Reconvenes the meeting at 8:55 a.m.
298	Rep. Dallum	Asks if there was ever a time that the single reason a company chose to locate in a specific geographic area was because it was designated as an electronic commerce zone.
310	Fox	Cites the example of the opening of Dell Computer in Roseburg.
328	Rep. Dallum	Speaks to the goal of providing every community in Oregon with as many opportunities and tools to land a business as possible and asks why would there need to be a limit on the number of electronic commerce zones if it is not the single reason that a company chooses a location.
348	Fox	Explains the background and purpose of the enterprise zone and electronic commerce zone business incentive program.
386	Rep. Dallum	Asks “why would I want to not give this arrow to every community in Oregon that I could to attract business.”

TAPE 40, A

001	Salsgiver	Explains how the proliferation of electronic commerce is a policy decision to be made by the legislature/
022	Rep. Merkley	Points out that the proliferation in the corporate use of internet technology makes almost any company eligible for an electronic commerce zone designation.
040	Salsgiver	Confirms that that is an accurate assessment of the result of electronic commerce becoming an increasingly embedded way of business, but points out that economic recovery in Oregon is still tenuous enough that having targeted incentives remains necessary.
062	Rep. Nelson	

Comments on the speed that property taxes are recouped from electronic commerce zones and the high wages associated with companies that locate in these zones.

- 082 Stembridge Submits and summarizes Electronic Commerce Zones background report **(EXHIBIT F)**.
- 103 Chair Lim Asks how many locations are expected to apply for an electronic commerce zone designation in the next two years and why is OECDD asking for just ten additional electronic commerce zones.
- 113 Fish Explains that there are 16 enterprise zones “eager to apply” for an electronic commerce zone designation.
- 140 Chair Lim Asks if all applications for an electronic commerce zone designation would be granted if there were an unlimited number that could be designated.
- 145 Fish Explains why OECDD would be “obliged” to give any location that submitted a “decent application” and indicated their readiness to use electronic commerce an electronic commerce designation.
- 152 **VOTE: 7-0-0**
- Chair Lim **Hearing no objection, declares the motion CARRIED.**
- 162 Rep. Nelson **MOTION: Moves HB 2234 to the floor with a DO PASS AS AMENDED recommendation and BE REFERRED to the committee on Revenue by prior reference.**
- VOTE: 7-0-0**
- Chair Lim **Hearing no objection, declares the motion CARRIED.**

The following written material is submitted for the record without public testimony:

- Arthur Fish Business Incentives Coordinator, OECDD. Submits Enterprise Zones in Oregon booklet **(EXHIBIT G)**.
- 186 Chair Lim Closes the work session on HB 2234.

The following written material is submitted for the record without public testimony:

Victoria Pruett	Market Development Manager, Oregon Community and Economic Development Department. Submits Business Development Tax Incentives Report as follow-up to Business Finance Programs meeting on March 3, 2005 (EXHIBIT H) .
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189	Chair Lim	Adjourns the meeting at 9:15 a.m.
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EXHIBIT SUMMARY

- A. **Business Finance Programs, information packet, staff, 21 pp**
- B. **WorkSource Oregon, information packet, staff, 44 pp**
- C. **HB 2234, -1 amendments, staff, 2 pp**
- D. **HB 2234, -2 amendments, staff, 1 p**
- E. **HB 2234, -1 amendments, staff, 1 p**
- F. **HB 2234, Electronic Commerce Zones Background Report, staff, 2 pp**

The following written material is submitted for the record without public testimony:

- G. **HB 2234, Enterprise Zones in Oregon Booklet, Arthur Fish, 26 pp**
- H. **Business Finance Programs, Business Development Tax Incentives Report, Victoria Pruett, 18 pp**